

AR38

THE
DICKENSON
GROUP OF COMPANIES



**ANNUAL REPORTS
1975**



Gold pouring at Dickenson Mine

DICKENSON MINES

ROBIN RED LAKE MINES

(Dickenson Mines Subsidiary)

KAM-KOTIA MINES

AS A GROUP from inception to December 31, 1975
have produced mineral wealth as follows:

1,945,631 ounces of GOLD

6,300,557 ounces of SILVER

163,076,704 pounds of COPPER

173,748,238 pounds of ZINC

59,066,175 pounds of LEAD

DIVIDENDS TOTAL		Per Share
DICKENSON MINES	\$11,004,000	3.30
KAM-KOTIA MINES	\$ 2,640,340	.62
ROBIN RED LAKE MINES	3,107,000	1.04

The Annual Reports for Dickenson Mines Limited, Robin Red Lake Mines Limited and Kam-Kotia Mines Limited are presented together due to the corporate relationship between them.

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 INVESTMENT SCHEDULE	Inside Back Cover



Processing a new gold brick — L to R Cooling, Descaling, Cleaning, Sampling

COVER

UPPER: Photograph of Dickenson Mine.

LOWER: "Gold Mine" by A. Y. Jackson.

A representation of the Dickenson Mine in 1952.

A. Y. Jackson, born 1882, died 1975 was one of the founding members of the "GROUP OF SEVEN" a group of Canadian artists of renown.

The "Group of Seven" held its first Exhibition in 1920. During six decades A. Y. Jackson's work portrayed the geographical detail of the Canadian scene and especially the Ontario mining towns, Eskimo settlements and British Columbia Indian enclaves.

DICKENSON MINES LIMITED

DICKENSON MINES LIMITED

SUMMARY

5 YEAR RECORD CONSOLIDATED WITH ROBIN RED LAKE MINES

	1975	1974	1973	1972	1971
Bullion Production	*\$ 9,587	\$ 10,935	\$ 7,199	\$ 5,105	\$ 3,171
E.G.M.A.	* —	—	—	—	325
Depreciation	* 223	173	126	114	129
Other Income	* 253	274	102	33	—
Minority Interest	* 236	354	188	94	1
Net Profit before extraordinary item	* 2,038	3,079	1,590	479	264
Net Profit after extraordinary item	* 2,056	1,611	1,830	—	—
Net Profit per share	62¢	93¢	48¢	33¢	7¢
Net profit per share after extraordinary item	63¢	49¢	56¢	13¢	7¢
Dividends paid per share	35¢	35¢	15¢	5¢	—
Shares issued			3,556,000		
Tons of ore milled	* 126	151	149	156	122
Grade (ozs./ton) Millheads	0.508	0.491	0.521	0.594	0.595
Ozs. of gold produced	59,631	68,094	71,951	86,397	82,547
Ore Reserves (Tons)	* 393	437	445	452	368
Grade (ozs./ton)	0.538	0.532	0.555	0.555	0.507
Employees	235	223	226	227	237
Shareholders	4,400	4,400	4,400	4,000	4,030
Share Price Range — High	10.38	12.00	4.60	3.25	1.58
— Low	4.45	4.35	1.90	.85	.60
P/E Multiple — High	16.7	12.9	9.6	9.8	22.6
— Low	7.2	4.5	4.0	2.6	8.6

* In thousands

DICKENSON MINES LIMITED

DIRECTORS' REPORT TO SHAREHOLDERS



1975 was one of the most important years in the history of Dickenson Mines Limited in that it was a year that saw a number of developments to ensure a prolonged future for the Company: 1. a resumption of more aggressive underground exploration and development towards the latter part of the year; 2. renovation and replacement of equipment; 3. new construction at the plant; 4. increased involvement in energy resource exploration and development.

Consolidated earnings for 1975 after extraordinary items were \$2,056,000 or \$0.63 per share up 27.6% from \$1,611,000 or \$0.49 per share in 1974. Consolidated earnings before extraordinary items were down 33.8% from \$3,079,000 (\$0.93 per share) in 1974 to \$2,038,000 (\$0.62 per share) in 1975.

Revenues were down 12.3% from \$10,935,000 in 1974 to \$9,587,000 in 1975 due to lower tonnage of ore milled (126,307 tons in 1975 vs. 151,009 tons in 1974 down 16.3%), but mining grade improved 4.7% from .451 oz. Au/ton to .472 oz. Au/ton. An average price of \$160.41 per ounce of gold was obtained during 1975 vs. \$160.15 per ounce in 1974.

DIAMOND DRILLING, DEVELOPMENT AND MINING (ROBIN INCLUDED)

Underground diamond drilling averaged 4,232 feet per month in 1975 compared to 4,475 feet in 1974. Development footage was also down in 1975 to 6,353 feet from 6,921 feet in 1974. These decreases in both footages as well as tonnage mined are largely due to a shortage of experienced underground miners coupled with a slowdown of work while union contract negotiations were being held during the early part of the year.

This situation has turned around and good progress is now being made in both underground drilling and development.

1976 could prove to be one of the Company's most exciting years from the standpoint of underground exploration and development.

Initial drilling below the 30th level on both the Dickenson and Robin properties has indicated a significant new ore occurrence with a strike length of some 1,100 feet, open at both ends, with widths of between 9 feet and 15 feet and grading about .50 oz. Au/ton. If drilling in progress confirms this, and present indications of structure are borne out, the internal shaft will have to be deepened for which substantial funds will be necessary to develop and mine the ore. We anticipate a decision on this to be made later this year. The success of this phase of the operation would enhance greatly the long term outlook for the mine.

ORE RESERVES

Ore reserves on a consolidated basis stood at 393,057 tons grading .538 oz. Au/ton in 1975 versus 436,927 tons grading .532 oz. Au/ton in 1974.

CAPITAL PLANT ADDITION

The construction of a dust collection system for the recovery of Calcine and Arsenic Trioxide from the roasting process at a cost of about \$550,000 was begun in 1975. The latter product is marketable. It is

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used in battery manufacture, fertilizer manufacture, the decolourization of glass and in the electrolytic zinc industry. It is anticipated that the capital cost can be recovered within a 5 to 7 year period. The construction of this system, in which Dickenson assisted in the design, will also reduce the environmental problems associated with Arsenic.

OUTSIDE EXPLORATION

As was expressed last year at this time, the exploration policy of your Company continues to give preference to Gold and Energy Resources.

GOLD

Apart from the extensive underground exploration taking place at the mine, a programme, which, if successful, will benefit the Company almost immediately, Dickenson is either directly or indirectly involved in the following gold exploration projects:

1. New Cinch Uranium Ltd.

New Cinch is currently carrying out extensive drilling of a former gold producing property in California. Results from last year's work warrant further investigation.

This company is also exploring a high grade base-metal-gold property in the State of Washington that did produce at one time and still has a modest proven tonnage located in two levels to which access is gained by two adits. Work is to re-commence on this property in early spring.

2. Abino Gold Mines

Abino is pursuing a major programme of exploration on its property situated a short distance north of the Campbell and Dickenson mines. This programme of surface diamond drilling commenced in early 1975 and is continuing. A decision is to be made shortly on the merits of following up the mineralized zones discovered by underground exploration.

3. Red Lake Area Associates

Further study is being made of all the properties controlled directly or indirectly in the Red Lake Camp. (see map page 17).

ENERGY

As was first mentioned in last year's Annual Report, your Company has pursued a more active involvement in the energy exploration field. This may be broken down into two distinct areas: 1. Uranium and 2. Petroleum and Natural Gas.

Uranium

Uranium exploration projects are organized in several provinces —

Amalgamated Rare Earth Mines has three Bancroft Area (Ontario) properties, optioned to Imperial Oil, that are currently being explored and developed.

Cardiff Uranium Mines has negotiated with Imperial Oil a similar arrangement to develop its Bancroft Area property.

New Cinch Uranium Ltd. recently vended its property in the Beaverlodge district of Northern Saskatchewan to Eldorado Nuclear, via Gardex Mines Limited, 50% owned by New Cinch. A substantial cash sum was received, and there is provision for future payments of royalties.

An Uranium Consortium, with the Dickenson Group companies prominently involved, is planned to undertake exploration on a number of uranium properties held in various areas of Canada.

Petroleum and Natural Gas

For some time your management has been looking for a sound approach to entering the petroleum and natural gas business and thus gain further diversification in the natural resources of Canada.

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In May of 1975, Dickenson and Robin negotiated an agreement with Conventures Ltd. of Calgary, Alberta whereby they would finance and conduct drilling, exploration and development of petroleum and natural gas rights owned by Conventures in return for shares in Conventures at a pre-determined rate. Dickenson and Robin are entitled to deduct their expenditures on these projects in determining their income subject to Canadian Income Tax.

Conventures is a Canadian independent natural resource company founded by Mr. C. O. Nickle, past owner and publisher of the "Daily Oil Bulletin."

Conventures has a strong diversified base with direct interests in Alberta and the Arctic Islands, royalty interests in British Columbia and the Beaufort Sea and a 20% interest in Alberta Natural Gas Company Ltd., (ANG).

ANG has a pipeline linking Alberta gas fields with British Columbia and a major U.S. system serving California. The company also has a large gas processing plant producing propane and butane from the 1 billion cubic feet of gas going daily through its system. ANG is a member of Gas Arctic which is proposing a \$9 billion transportation system linking Alaskan and Canadian Arctic gas to markets across North America.

In addition to its Canadian interests, Conventures has substantial equity interests in the North Sea. These include equity shareholdings in Norsk Hydro A/S; British Petroleums; Berry Wiggins & Co., and Burmah Oil.

Dickenson and Robin Red Lake Mines Ltd., under their agreement with Conventures, will share equally in a minimum equity investment of \$1,200,000 over 3 years with options to expand to \$2,400,000 over an extended period of 5 years.

During the last two quarters Conventures through use of Dickenson and Robin monies has very substantially added to its oil and natural gas reserves. These projects are expected to add very materially to that company's cash flow.

DIVIDENDS

During 1975, two dividends totalling 35 cents per share were paid for a total of \$1,151,000.

APPRECIATION AND ACKNOWLEDGEMENTS

The Board of Directors wishes to extend its appreciation to all of the employees of Dickenson and the companies associated with it for their loyalty, cooperation and efforts throughout the year.

Mr. Derek Rance, our former Mine Manager and a Director of Dickenson and Robin, resigned during the year to accept another post. We regretted his resignation, but wish him every success in the future.

We are pleased to advise you that that Mr. Robert P. Tapper accepted the office of Mine Manager, and is now acting in that capacity.

On February 17, 1976, Mr. George H. Scott, B.S., Ch.E., became a Director of Dickenson. He is a Director and retired President of Engelhard Industries of Canada Ltd. and is also President and a Director of Engelhard Ore and Base Metals Corporation of Montreal. We welcome Mr. Scott to the Board with the hope that his association with us will be long and beneficial to him and the Company.

Submitted on Behalf of the Board

Toronto, Ontario,
April 2, 1976.

A. W. WHITE, President.

DICKENSON MINES LIMITED

ASSETS

	1975	1974
Current		
Cash and short-term deposits	\$ 2,211,000	\$ 4,301,000
Bullion on hand and in transit at net realizable value	346,000	944,000
Accounts receivable and accrued interest	154,000	179,000
Prepaid expenses	19,000	16,000
Marketable securities, at cost (quoted market value 1975 — \$743,000; 1974 — \$348,000)	765,000	430,000
Income taxes recoverable	331,000	—
	<u>3,826,000</u>	<u>5,870,000</u>
 Long-Term Investments (notes 1(b) and 3)	 <u>4,530,000</u>	 <u>3,742,000</u>
 Fixed, at cost		
Buildings, machinery and equipment	7,245,000	6,656,000
Less: Accumulated depreciation (note 1(d))	<u>6,182,000</u>	<u>5,967,000</u>
	<u>1,063,000</u>	<u>689,000</u>
Mining claims	459,000	443,000
Townsitc lots	124,000	124,000
	<u>1,646,000</u>	<u>1,256,000</u>
 Other, at cost		
Interest in and expenditures on outside mining properties (note 1(c))	668,000	562,000
Stores and supplies	1,010,000	947,000
Deposits	6,000	6,000
Deferred charges	<u>123,000</u>	<u>56,000</u>
	<u>1,807,000</u>	<u>1,571,000</u>
	<u><u>\$11,809,000</u></u>	<u><u>\$12,439,000</u></u>

See notes

Consolidated Balance Sheet

December 31, 1975

LIABILITIES

	1975	1974
Current		
Accounts payable	\$ 744,000	\$ 644,000
Mining taxes payable	392,000	825,000
Income taxes payable (note 1(e))	—	1,065,000
	<u>1,136,000</u>	<u>2,534,000</u>
Deferred Income Taxes (note 1(e))	<u>413,000</u>	<u>337,000</u>
Minority Interest in Subsidiary Company	<u>401,000</u>	<u>469,000</u>

SHAREHOLDERS' EQUITY

Capital Stock

Authorized

3,750,000 shares of \$1 each

Issued

3,556,000 shares	3,556,000	3,556,000
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Contributed Surplus

1,550,000	1,550,000
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Retained Earnings

5,702,000	4,797,000
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10,808,000	9,903,000
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Deduct: Company's share of Kam-Kotia Mines Limited holdings of 560,509 shares (534,409 in 1974) of Dickenson Mines Limited at a cost to Kam-Kotia of \$1,941,000 (\$1,644,000 in 1974)

949,000	804,000
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9,859,000	9,099,000
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Approved on behalf of the Board:

A. W. WHITE, Director.

F. A. FELL, Director.

\$11,809,000	\$12,439,000
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DICKENSON MINES LIMITED

Consolidated Statement of Income For the year ended December 31, 1975

	1975	1974
Revenue		
Bullion production	<u>\$ 9,587,000</u>	<u>\$10,935,000</u>
Expense		
Mining	3,425,000	2,545,000
Milling	938,000	842,000
Mine management, office and general	965,000	645,000
Head office administration and general	383,000	369,000
Marketing	54,000	43,000
	<u>5,765,000</u>	<u>4,444,000</u>
Operating Income	<u>3,822,000</u>	<u>6,491,000</u>
Income From Investments		
Dividends, interest and net results of security transactions	253,000	274,000
Shares of gains (losses) of effectively-controlled companies	43,000	(26,000)
	<u>296,000</u>	<u>248,000</u>
Other Expense		
Provision for depreciation (note 1(d))	223,000	173,000
Amortization of deferred development expenditures	—	160,000
Outside exploration written off (note 1(c))	49,000	86,000
	<u>272,000</u>	<u>419,000</u>
Income Before Taxes, Minority Interest and Extraordinary Items	<u>3,846,000</u>	<u>6,320,000</u>
Income and Mining Taxes		
Income taxes — current	1,089,000	1,989,000
— deferred (note 1(e))	76,000	76,000
Mining taxes	<u>407,000</u>	<u>822,000</u>
	<u>1,572,000</u>	<u>2,887,000</u>
Income Before Minority Interest and Extraordinary Items	<u>2,274,000</u>	<u>3,433,000</u>
Minority Interest	<u>236,000</u>	<u>354,000</u>
Income Before Extraordinary Items	<u>2,038,000</u>	<u>3,079,000</u>
Share of extraordinary gains (losses) of effectively-controlled companies	18,000	(1,098,000)
Adjustment of allowance for decline in value of investments in other companies	—	(370,000)
	<u>18,000</u>	<u>(1,468,000)</u>
Net Income for the Year	<u>\$ 2,056,000</u>	<u>\$ 1,611,000</u>
Earnings per share:		
Before extraordinary items	\$0.62	\$0.93
After extraordinary items	0.63	0.49

See notes to financial statements.

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Consolidated Statement of Retained Earnings

For the year ended December 31, 1975

	1975	1974
Balance at Beginning of the Year	\$4,797,000	\$4,339,000
Net income for the year	2,056,000	1,611,000
	<u>6,853,000</u>	<u>5,950,000</u>
Dividends paid	1,151,000	1,153,000
Balance at End of the Year	<u>\$5,702,000</u>	<u>\$4,797,000</u>

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1975

	1975	1974
Source of Funds		
Funds provided from operations (note 7)	\$2,617,000	\$4,007,000
Repayment of portion of advances to Jameland Mines Limited	20,000	20,000
Proceeds from sale of shares of Robin Red Lake Mines Limited	—	95,000
	<u>2,637,000</u>	<u>4,122,000</u>
Application of Funds		
Dividends	1,151,000	1,153,000
Dividends paid by subsidiary to minority shareholders	305,000	241,000
Purchase of fixed assets	613,000	451,000
Increase in stores and supplies	63,000	399,000
Investment in and advances to other companies	929,000	81,000
Exploration expenditures on outside properties	155,000	148,000
Increase in deferred charges	67,000	12,000
	<u>3,283,000</u>	<u>2,485,000</u>
Increase (Decrease) in Funds During the Year	(646,000)	1,637,000
Funds at Beginning of the Year	3,336,000	1,699,000
Funds at End of the Year	<u>\$2,690,000</u>	<u>\$3,336,000</u>
Represented by working capital:		
Current assets	\$3,826,000	\$5,870,000
Less: Current liabilities	1,136,000	2,534,000
	<u>\$2,690,000</u>	<u>\$3,336,000</u>

See notes to financial statements.

DICKENSON MINES LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 1975

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies followed by the Company are in accordance with accounting principles generally accepted by the mining industry in Canada. The comments following pertain to those of particular significance in the view of management.

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and all subsidiaries. Investments in effectively-controlled companies are accounted for by the equity method.

(b) Long-Term Investments

The investment in shares of effectively-controlled companies is carried at cost adjusted by the Company's share of their earnings or losses since effective control was acquired. Other long-term investments are carried at cost with an allowance for estimated decline in value of investments below the stated cost.

(c) Exploration and Development Expenditures

Interest in and expenditure on outside mining properties are deferred in the accounts until the interest in such properties is relinquished or disposed of, at which time the accumulated costs are written off and any proceeds of disposal are recorded.

(d) Depreciation and Depletion

Land, buildings, machinery and equipment are carried at cost. When such assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts. Any gain or loss on retirements is reflected in the earnings for the year. Depreciation is recorded in the accounts on the straight-line method at the rate of 15% per annum on buildings, machinery and equipment.

The Company has never followed the practice of providing for depletion of its mining claims.

(e) Income Taxes

The Company and its subsidiaries follow the tax allocation method of accounting whereby the provision for income taxes is based upon income reported in the accounts after providing for allowances permissible under Federal and Provincial taxation statutes. Any difference between these taxes and taxes currently payable for the year are reflected in Deferred Income Taxes which arise from allowances for depreciation and exploration expenditures for income tax purposes in excess of those recorded in the accounts.

2. INTEREST IN AND EXPENDITURE ON MINING PROPERTIES AND INVESTMENTS IN OTHER DEVELOPMENT MINING COMPANIES

The value of investments in companies accounted for on the equity basis is determined from the book value per outstanding share of capital stock attributed to those companies. Dickenson's proportion of the unamortized interest in and expenditure on mining properties and investments in other development mining companies amounting to \$1,657,000 forms part of such value which can be realized only from future earnings of those companies. Dickenson's interest in and expenditure on its own outside properties in the amount of \$668,000 can only be realized from the future commercial success of those properties.

DICKENSON MINES LIMITED

3. LONG-TERM INVESTMENTS

	1975	1974
Investments in companies accounted for by the equity method:		
Shares		
Kam-Kotia Mines Limited		
2,097,608 shares (quoted market value, 1975 — \$1,217,000; 1974 — \$1,133,000)	\$2,480,000	\$2,484,000
Other	775,000	707,000
	<u>3,255,000</u>	<u>3,191,000</u>
Loans and Advances		
Jameland Mines Limited	220,000	240,000
Other	25,000	31,000
	<u>245,000</u>	<u>271,000</u>
	<u>3,500,000</u>	<u>3,462,000</u>
Portfolio investments, at cost		
Listed shares (quoted market values, 1975 — \$627,000; 1974 — \$594,000)	1,723,000	1,312,000
Other shares, bonds, advances and participations	2,049,000	1,710,000
	<u>3,772,000</u>	<u>3,022,000</u>
Less: Allowance for decline in value	7,272,000	6,484,000
	<u>2,742,000</u>	<u>2,742,000</u>
	<u>\$4,530,000</u>	<u>\$3,742,000</u>

The quoted market values referred to above do not necessarily represent the realizable value of these holdings which may be more or less than that indicated by market quotations.

Other shares, bonds, advances and participations include notes for \$300,000 due December 31, 1979, issued by Conventures Limited that are convertible into common shares of Conventures at \$3.25 each at any time up to maturity. They are secured by 15,000 shares of Alberta Natural Gas Co. Ltd.

4. CONVENTURES AGREEMENT

By agreement dated May 13, 1975, between Robin Red Lake Mines Limited, Dickenson Mines Limited and Conventures Limited (an Alberta company owning interests in petroleum and natural gas properties and engaged in exploration and development of them), Robin and Dickenson, combined, committed to expend a total of \$300,000 annually from 1975 to 1977 both inclusive in conducting programs of exploration, drilling and development of certain of Conventures' petroleum and natural gas rights and properties. Upon election, and providing they are not in default, Robin and Dickenson, combined, have options to increase their commitments for each of the calendar years 1976 and 1977 by any amounts determined by them at the time of such election up to \$300,000 and during the calendar years 1978 and 1979 to commit to expend one-half of the amounts committed for 1976 and 1977. To summarize, Robin and Dickenson, combined, are committed to expend a total of \$900,000 from May 13, 1975 to December 31, 1977, have options to expend a further \$600,000 during 1976 and 1977 and a further \$1,200,000 in 1978 and 1979. Expenditures committed but not incurred in any one year are carried forward to be incurred in a future year of the term of the agreement.

Robin and Dickenson did not elect to increase their commitment for 1976.

In consideration of expenditures incurred, Robin and Dickenson are entitled to receive one common share of Conventures for each \$3.00 expended by them pursuant to the agreement. Should Conventures, at any time on or before December 31, 1977 or December 31, 1979, whichever date applies, sell any of its

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shares as a result of a public offering or private placement at a price less than \$3.00 per share, the new price at which shares of Conventures are to be issued to Robin and Dickenson in consideration of their expenditures on exploration and development pursuant to the agreement and subsequent to the date of sale of such shares by Conventures shall be equivalent to the price at which Conventures sold such shares.

Each of Robin and Dickenson is entitled to deduct its portion of expenditures pursuant to the agreement in the determination of its income subject to Canadian Income Tax.

The portion of the expenditures incurred by each of Robin and Dickenson is determined from time to time by mutual agreement between them.

By December 31, 1975, each of Robin and Dickenson had incurred expenditures of \$132,900 and in consideration thereof each of them had received 44,300 shares of Conventures Limited. Robin and Dickenson have agreed that all shares acquired by them, pursuant to the agreement, are acquired as an investment and not with a view to resale or distribution.

In the event Conventures varies its capital structure, Robin and Dickenson are entitled to maintain their proportionate equity interest in Conventures on terms that are the same as, or comparable to, those pertaining to the variation in Conventures' capital structure.

5. LOAN TO OFFICER

At December 31, 1975, there was a loan outstanding to an officer of the Company in the amount of \$26,000 secured by an interest bearing real estate mortgage.

6. STATUTORY INFORMATION

Remuneration of directors and senior officers during the year ended December 31, 1975, amounted to \$136,000 (\$113,000 in 1974).

In addition, the Company paid \$170,000 during the year ended December 31, 1975, (\$147,000 in 1974) to Mid-North Engineering Services Limited for management, accounting, secretarial and office services.

7. FUNDS PROVIDED FROM OPERATIONS

	1975	1974
Net income for the year	\$2,056,000	\$1,611,000
Charges (credits) not requiring use of funds		
Loss on disposal of investments	38,000	53,000
Provision for depreciation	223,000	172,000
Amortization of deferred development expenditures	—	160,000
Outside exploration written off	49,000	86,000
Deferred income taxes	76,000	76,000
Minority interest in earnings of subsidiary	236,000	354,000
Share of losses (gains) of effectively-controlled companies	(61,000)	1,124,000
Adjustment of allowance for decline in value of investments in other companies	—	370,000
	<u>\$2,617,000</u>	<u>\$4,007,000</u>

8. ANTI-INFLATION LEGISLATION

The companies are subject to restraint of profit margins, prices, dividends and compensation under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975. The impact

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of this recent and proposed legislation on the companies' profit margins, prices and compensation arrangements cannot be determined precisely at the present time because of uncertainties with respect to the application of certain provisions and definitions in the Act and Regulations. Such legislation is not expected to have a significant effect on the financial position and results of operations of the companies in 1975.

Under this legislation, the amount of dividends which the Company can declare or pay will be limited to an aggregate of \$0.35 per share in the period ending October 13, 1976.

9. CONTRACTUAL OBLIGATION

The Company has entered into a contract with American Van Tongeren Corporation for the supply and installation of an emission control system to separate arsenic from the ore roaster gas stream. It is expected that the work will be completed during 1976 and the cost is estimated to be \$530,000.

10. RECLASSIFICATION

Certain amounts in the 1974 consolidated financial statements have been reclassified to conform to the presentation adopted in 1975.

AUDITORS' REPORT

To the Shareholders
Dickenson Mines Limited

We have examined the consolidated balance sheet of Dickenson Mines Limited and its subsidiaries as at December 31, 1975, and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. For Dickenson Mines Limited and those other companies of which we are the auditors and which are consolidated or are accounted for by the equity method in these financial statements, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For other companies, accounted for by the equity method, we have relied on the reports of the auditors who have examined the financial statements of those companies.

In our opinion, subject to the realization of interest in and expenditure on mining properties and investments in other development mining companies as explained in Note 2, these consolidated financial statements present fairly the financial position of Dickenson Mines Limited and its subsidiaries as at December 31, 1975, and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
March 16, 1976.

GARDNER, McDONALD & CO.,
Chartered Accountants.

REPORT OF OPERATIONS

	DICKENSON	ROBIN
Ore Milled	91,382 tons	34,925 tons
Recovery — Gold	36,537.186 ounces	23,093.611 ounces
— Silver	3,588.778 ounces	1,371.584 ounces
Grade of Ore Milled — Gold431 ounces per ton	0.712 ounces per ton
Average Value Received — Gold	\$160.41 per ounce	
Total Value Received — Gold	\$5,860,795.97	\$3,704,361.42
— Silver	\$15,967.19	\$6,102.45

MINING

	TONS	GRADE	TONS	GRADE
Broken Ore Reserves	48,012	0.480	4,155	1.440

MILLING

Summary of Mill operations with the previous year given for comparison.

	1975	1974
Tons Treated (includes 34,925 tons of Robin ore in 1975 and 45,446 in 1974)	126,307	151,009
Percent Operating Time	84.65	94.40
Tons Treated Per Day	346.05	413.72
Average Value of Millheads in ounces of Gold per ton	0.508	0.491
Average Value of Milltails in ounces of Gold per ton	0.036	0.040
Recovery in ounces of Gold per ton	0.472	0.451
Percent Recovery	92.87	91.87

DEVELOPMENT

	DICKENSON	ROBIN
Crosscutting (Includes Slashing)	1,280.7'	357.1'
Drifting (Includes Slashing)	1,780.5'	967.0'
Raising (Includes Slashing)	960.4'	1,007.6'
Underground Diamond Drilling	31,132.0'	19,654.0'
Surface Diamond Drilling	—	—

PROVEN ORE RESERVES

Dickenson

At December 31, 1974	339,472 tons grading 0.470 ozs. gold per ton
At December 31, 1975	311,694 tons grading 0.483 ozs. gold per ton
Decrease	27,778 tons

Location of the Ore Reserves — 76% between 14th and 25th levels.

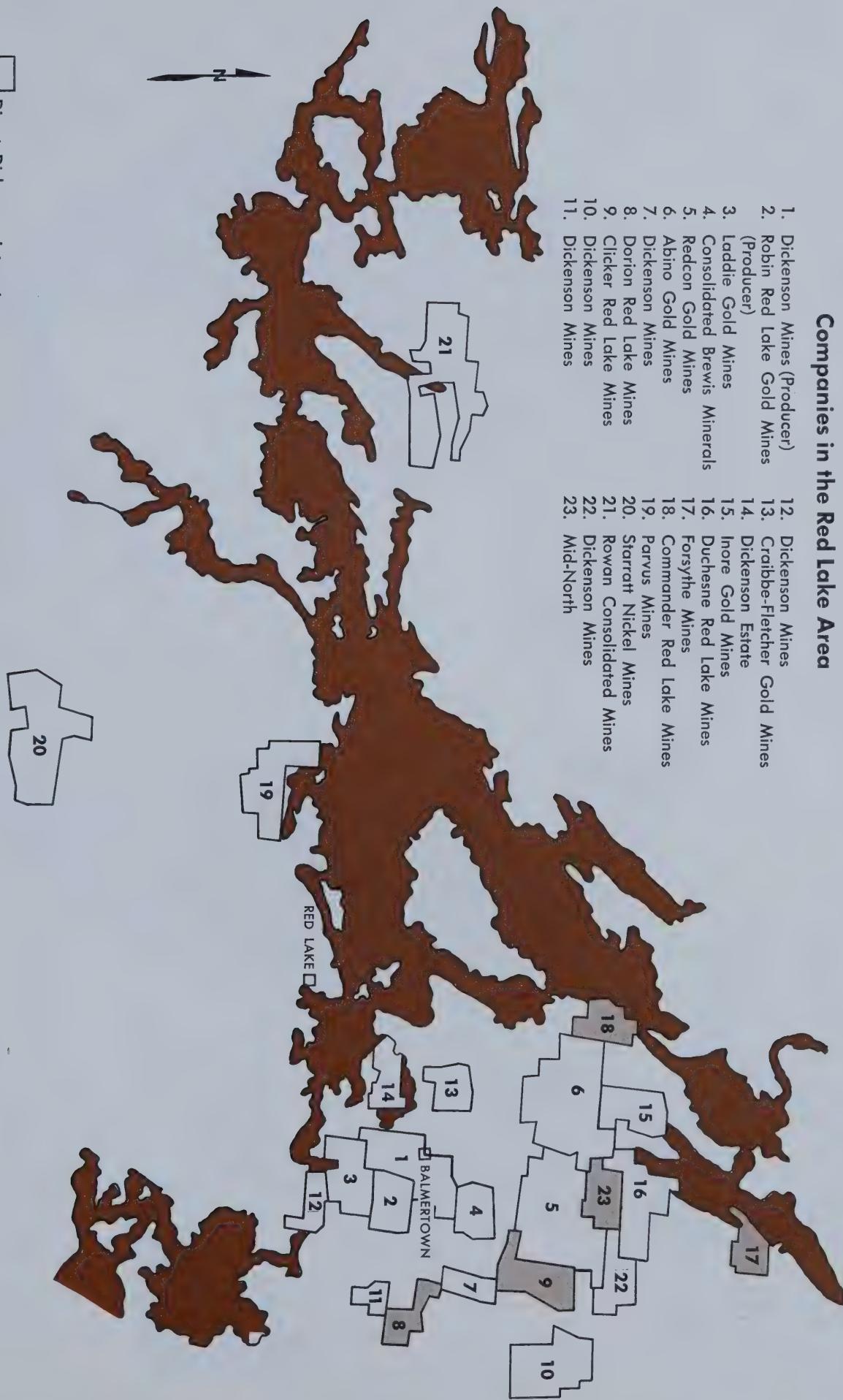
Robin

At December 31, 1974	97,455 tons grading 0.747 ozs. gold per ton
At December 31, 1975	81,363 tons grading 0.748 ozs. gold per ton
Decrease	16,092 tons

Location of the Ore Reserves — 100% between 15th and 24th levels.

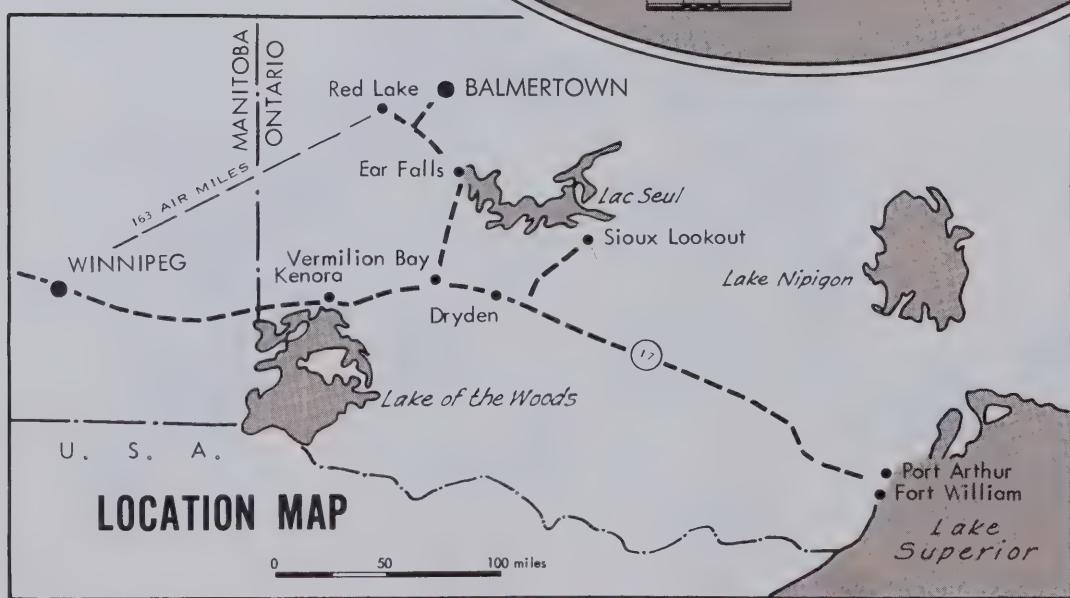
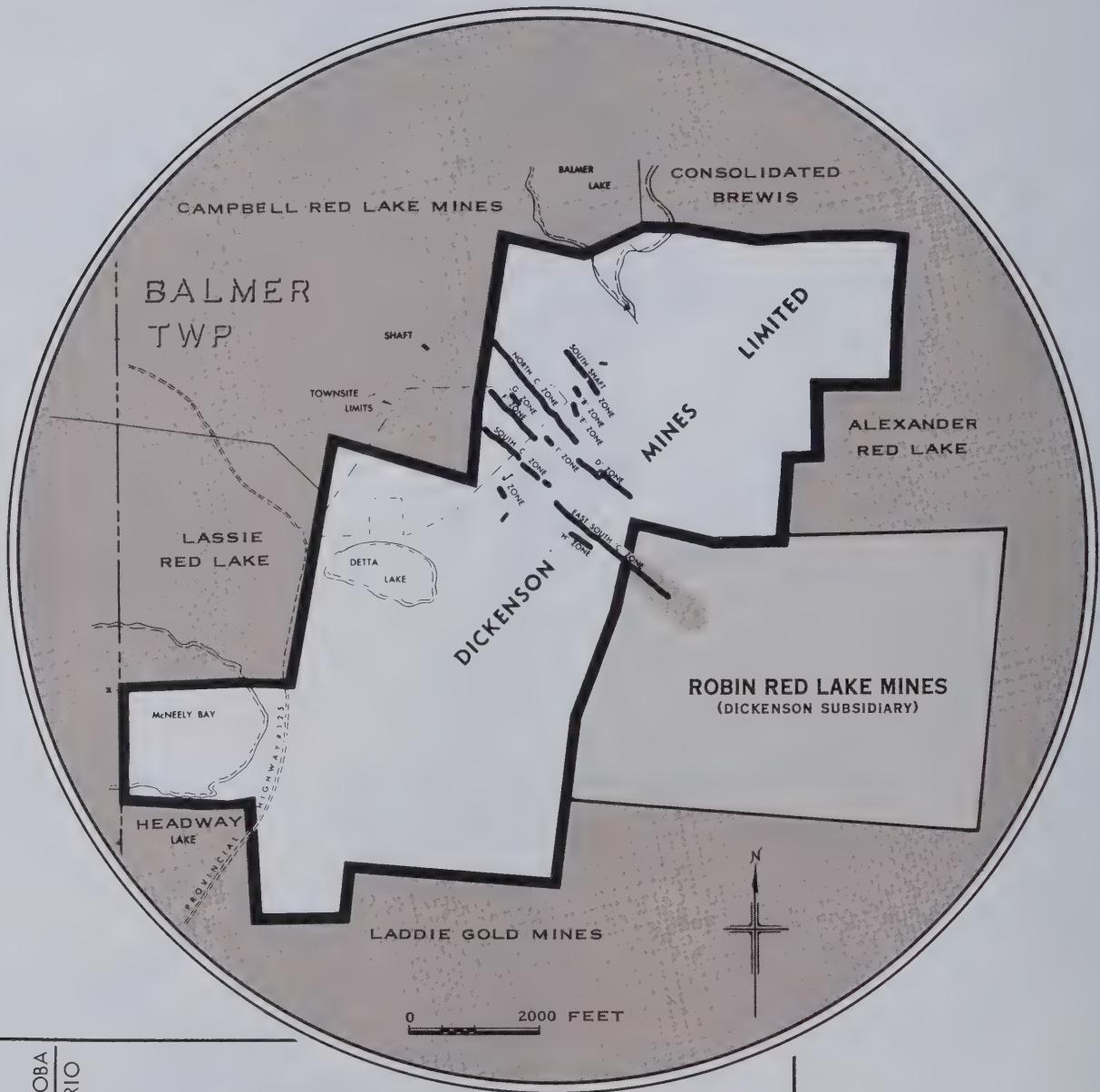
R. P. TAPPER,
Mine Manager.

Properties Held By the Dickenson Group of Companies in the Red Lake Area



Direct Dickenson interests

Interest of Other Companies in Dickenson Group



ROBIN RED LAKE MINES LIMITED

DIRECTORS	A. W. WHITE - - - - -	Toronto, Ontario
	H. V. WHITE - - - - -	Toronto, Ontario
	F. A. FELL - - - - -	Toronto, Ontario
	H. R. HEARD - - - - -	Toronto, Ontario
	J. GEDDES - - - - -	Mississauga, Ontario
	D. F. BURT - - - - -	Toronto, Ontario
	H. S. DOLSON - - - - -	Etobicoke, Ontario
 OFFICERS	 ARTHUR W. WHITE - - - - -	 President
	H. VANCE WHITE - - - - -	Vice-President
	H. RODNEY HEARD - - - - -	Secretary
	JAMES GEDDES - - - - -	Treasurer
 HEAD OFFICE	 390 Bay Street, Suite 1402, Toronto, Ontario	
	Telephone 361-0402	
 MINE OFFICE	 Balmertown, Ontario	
 AUDITORS	 GARDNER, McDONALD & CO., Toronto, Ontario	
 BANKERS	 THE BANK OF NOVA SCOTIA, Toronto, Ontario	
 REGISTRAR AND TRANSFER AGENTS	 THE STERLING TRUSTS CORPORATION, Toronto, Ontario	
 ANNUAL MEETING	 Friday, May 7, 1976, at 9:30 a.m. (Toronto Time)	
	Territories Room, Royal York Hotel, Toronto, Ontario.	

ROBIN RED LAKE MINES LIMITED

REPORT TO SHAREHOLDERS

The directors' report to the shareholders of Dickenson Mines Limited, Robin's parent Company, has a direct bearing on the affairs of your Company and should be viewed together with the following report.

Financial information for the year for Robin appears consolidated in the foregoing Dickenson financial statements. We are pleased to present herewith the separate financial statements for 1975 for Robin Red Lake Mines reported upon by the auditors.

Two dividends, totalling 45 cents per share, were paid during 1975 aggregating \$1,350,000.

A composite analysis of Dickenson and Robin operations prepared by Mr. Robert Tapper, Mine Manager, is also provided in the Dickenson section of this Annual Report.

The Board of Directors wishes to express its appreciation for the cooperation and loyalty of the Officers and Personnel of Robin and its associated companies.

Submitted on behalf of the Board,

Toronto, Ontario,
April 2, 1976.

A. W. WHITE,
President.

AUDITORS' REPORT

To the Shareholders
Robin Red Lake Mines Limited

We have examined the balance sheet of Robin Red Lake Mines Limited as at December 31, 1975, together with the statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1975, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario, February 25, 1976. GARDNER, McDONALD & CO.,
Chartered Accountants.

ROBIN RED LAKE MINES LIMITED

Balance Sheet—December 31, 1975

ASSETS

	1975	1974
Current		
Cash and short-term deposits	\$ 990,000	\$2,696,000
Accounts receivable and accrued interest	29,000	67,000
Due from parent company — Dickenson Mines Limited	25,000	—
Marketable securities, at cost (quoted market value \$184,000)	186,000	—
Income taxes recoverable	104,000	—
	<u>1,334,000</u>	<u>2,763,000</u>
Long-Term Investments, at cost (note 2)	<u>461,000</u>	<u>130,000</u>
Fixed, at cost		
Buildings, machinery and equipment	152,000	149,000
Less: Accumulated depreciation	73,000	50,000
	<u>79,000</u>	<u>99,000</u>
Mining claims (note 3)	75,000	75,000
Townssite lots	24,000	24,000
	<u>178,000</u>	<u>198,000</u>
Other Assets, at cost		
Interest in and expenditures on outside mining properties	28,000	—
	<u>\$2,001,000</u>	<u>\$3,091,000</u>

LIABILITIES

	1975	1974
Current		
Accounts payable	\$ 5,000	\$ 5,000
Ontario mining tax payable	217,000	425,000
Income taxes payable	—	465,000
Due to parent company — Dickenson Mines Limited	—	129,000
	<u>222,000</u>	<u>1,024,000</u>

SHAREHOLDERS' EQUITY

	1975	1974
Capital Stock		
Authorized		
3,000,000 shares without par value	825,000	825,000
Issued		
3,000,000 shares	954,000	1,242,000
Retained Earnings	<u>1,779,000</u>	<u>2,067,000</u>
	<u>\$2,001,000</u>	<u>\$3,091,000</u>

Approved on behalf of the Board:

A. W. WHITE, Director.

H. R. HEARD, Director.

See notes to financial statements.

ROBIN RED LAKE MINES LIMITED

Statement of Income and Retained Earnings For the year ended December 31, 1975

	1975	1974
Revenue		
Bullion production	<u>\$3,710,000</u>	<u>\$4,886,000</u>
Expense		
Mining	928,000	913,000
Milling	259,000	253,000
Fees and charges for the use of underground and surface facilities of parent company	419,000	451,000
Mine management, office and general	250,000	192,000
Head office administration and general	117,000	92,000
Marketing	21,000	20,000
	<u>1,994,000</u>	<u>1,921,000</u>
Operating Income	<u>1,716,000</u>	<u>2,965,000</u>
Other Expense		
Amortization of deferred development and administrative expenditures	—	160,000
Provision for depreciation of buildings, machinery and equipment	23,000	22,000
	<u>23,000</u>	<u>182,000</u>
	<u>1,693,000</u>	<u>2,783,000</u>
Income From Investments		
Interest	145,000	172,000
Dividends	8,000	—
	<u>153,000</u>	<u>172,000</u>
Income Before Income and Mining Taxes	<u>1,846,000</u>	<u>2,955,000</u>
Income taxes (note 4)	569,000	965,000
Mining taxes	215,000	432,000
	<u>784,000</u>	<u>1,397,000</u>
Net Income for the Year	<u>1,062,000</u>	<u>1,558,000</u>
Retained Earnings at Beginning of the Year	<u>1,242,000</u>	<u>733,000</u>
Dividends paid	2,304,000	2,291,000
	<u>1,350,000</u>	<u>1,049,000</u>
Retained Earnings at End of the Year	<u>\$ 954,000</u>	<u>\$1,242,000</u>
Earnings per Share	<u>\$.35</u>	<u>\$.52</u>

See notes to financial statements.

ROBIN RED LAKE MINES LIMITED

Statement of Changes in Financial Position

For the year ended December 31, 1975

Source of Funds	1975	1974
Funds provided from operations (note 5)	\$1,085,000	\$1,740,000
Proceeds from sale of capital stock	—	95,000
	<u>1,085,000</u>	<u>1,835,000</u>
Application of Funds		
Dividends paid	1,350,000	1,049,000
Fixed asset additions	3,000	7,000
Increase in long-term investments	331,000	28,000
Exploration expenditure on outside properties	28,000	—
	<u>1,712,000</u>	<u>1,084,000</u>
Increase (Decrease) in Funds During the Year	(627,000)	751,000
Funds at Beginning of the Year	<u>1,739,000</u>	<u>988,000</u>
Funds at End of the Year	<u>\$1,112,000</u>	<u>\$1,739,000</u>
Represented by working capital:		
Current assets	\$1,334,000	\$2,763,000
Less: Current liabilities	222,000	1,024,000
	<u>\$1,112,000</u>	<u>\$1,739,000</u>

See notes to financial statements.

ROBIN RED LAKE MINES LIMITED

Notes to Financial Statements

December 31, 1975

1. SIGNIFICANT ACCOUNTING POLICIES

Depreciation and Depletion

Depreciation has been recorded in the accounts using the straight line method at the rate of 15% per annum.

The Company has never provided for the depletion of its mining claims.

Exploration and Development Expenditures

Interest in and expenditure on outside mining properties are deferred in the accounts until the interest in the properties is relinquished or disposed of, at which time the accumulated costs are written off and any proceeds of disposal are recorded.

2. LONG-TERM INVESTMENTS

This item comprises:

	1975	1974
Guaranteed investment certificates	\$ 100,000	\$ 100,000
52,800 shares of Conventures Limited (quoted market value \$143,000)	156,000	—
200,000 shares of New Kelore Mines Limited (quoted market value \$27,000; \$42,000 in 1974)	30,000	30,000
Notes receivable from other companies	<u>175,000</u>	<u>—</u>
	<u>\$ 461,000</u>	<u>\$ 130,000</u>

The quoted market values referred to above do not necessarily represent the realizable value of these holdings which may be more or less than indicated by market quotations.

The notes receivable include a note for \$150,000 due December 31, 1979, issued by Conventures Limited that is convertible into common shares of Conventures at \$3.25 each at any time up to maturity. It is secured by 7,500 shares of Alberta Natural Gas Co. Ltd.

3. MINING CLAIMS AND PROPERTIES

The company's mining claims and properties were acquired in July 1945, in consideration for the issue of 1,000,000 shares. For accounting purposes, such shares were assigned a value of 7½ cents per share — this being the approximate average issue price of various other shares which were issued for cash pursuant to the provisions of an agreement entered into during the same month in 1945.

4. INCOME TAXES

Income taxes provided in the accounts for the year reflect allowances for depletion permitted under regulations to Federal and Provincial statutes.

5. FUNDS PROVIDED FROM OPERATIONS

	1975	1974
Net income for the year	\$1,062,000	\$1,558,000
Charges not requiring use of funds		
Amortization of deferred development and administrative expenditures	—	160,000
Provision for depreciation	23,000	22,000
Funds provided from operations	<u>\$1,085,000</u>	<u>\$1,740,000</u>

6. STATUTORY INFORMATION

Remuneration of directors and senior officers during the year ended December 31, 1975, amounted to \$9,000 (\$6,000 in 1974).

In addition, the company paid \$75,000 during the year ended December 31, 1975, (\$62,000 in 1974) to Mid-North Engineering Services Limited for management, accounting, secretarial and office services.

7. CONVENTURES AGREEMENT

By agreement dated May 13, 1975, between Robin Red Lake Mines Limited, Dickenson Mines Limited and Conventures Limited (an Alberta company owning interests in petroleum and natural gas properties and engaged in exploration and development of them), Robin and Dickenson, combined, committed to expend a total of \$300,000 annually from 1975 to 1977 both inclusive in conducting programs of exploration, drilling and development of certain of Conventures' petroleum and natural gas rights and properties. Upon election, and providing they are not in default, Robin and Dickenson, combined, have options to increase their commitments for each of the calendar years 1976 to 1977 by any amounts determined by them at the time of such election up to \$300,000 and during the calendar years 1978 and 1979 to commit to expend one-half of the amounts committed for 1976 and 1977. To summarize, Robin and Dickenson, combined, are committed to expend a total of \$900,000 from May 13, 1975 to December 31, 1977, have options to expend a further \$600,000 during 1976 and 1977 and a further \$1,200,000 in 1978 and 1979. Expenditures committed but not incurred in any one year are carried forward to be incurred in a future year of the term of the agreement.

Robin and Dickenson did not elect to increase their commitment for 1976.

In consideration of expenditures incurred, Robin and Dickenson are entitled to receive one common share of Conventures for each \$3.00 expended by them pursuant to the agreement. Should Conventures, at any time on or before December 31, 1977 or December 31, 1979, whichever date applies, sell any of its shares as a result of a public offering or private placement at a price less than \$3.00 per share, the new price at which shares of Conventures are to be issued to Robin and Dickenson in consideration of their expenditures on exploration and development pursuant to the agreement and subsequent to the date of sale of such shares by Conventures shall be equivalent to the price at which Conventures sold such shares.

Each of Robin and Dickenson is entitled to deduct its portion of expenditures pursuant to the agreement in the determination of its income subject to Canadian Income Tax.

The portion of the expenditures incurred by each of Robin and Dickenson is determined from time to time by mutual agreement between them.

By December 31, 1975, each of Robin and Dickenson had incurred expenditures of \$132,900 and in consideration thereof each of them had received 44,300 shares of Conventures Limited. Robin and Dickenson have agreed that all shares acquired by them, pursuant to the agreement, are acquired as an investment and not with a view to resale or distribution.

In the event Conventures varies its capital structure, Robin and Dickenson are entitled to maintain their proportionate equity interest in Conventures on terms that are the same as, or comparable to, those pertaining to the variation in Conventures' capital structure.

8. ANTI-INFLATION LEGISLATION

The Company is subject to restraint of profit margins, prices, dividends and compensation under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975. The impact of this recent and proposed legislation on the Company's profit margins, prices and compensation arrangements cannot be determined precisely at the present time because of uncertainties with respect to the application of certain provisions and definitions in the Act and Regulations. Such legislation is not expected to have a significant effect on the financial position and results of operations of the Company in 1975.

Under this legislation, the amount of dividends which the Company can declare or pay will be limited to an aggregate of \$0.40 per share in the period ending October 13, 1976.

KAM-KOTIA MINES LIMITED

KAM-KOTIA MINES LIMITED

REPORT TO SHAREHOLDERS

The Board of Directors present herewith the Annual Report of Kam-Kotia Mines Limited together with the Financial Statements for 1975, reported upon by the auditors.

Working capital and quoted market value of some of your Company's investments (Dickenson Mines Limited - Amalgamated Rare Earth Mines Limited - Abino Gold Mines Limited) total about \$5,900,000 or approximately \$1.37 per Kam-Kotia share.

A comprehensive report on the affairs of your Company is provided by Mr. Graham Walkey, Vice-President and General Manager.

During the past year your Company reviewed a number of mineral and petroleum projects most of which were considered unsuitable. However, in March of 1976, Kam-Kotia completed an arrangement whereby it purchased a 1.8% gross overriding royalty on some 213,000 acres of petroleum and natural gas permits in the Beaufort Sea. The Hunt Family of Texas are currently the operators on the acreage which is subject to a farm-out agreement with Dome Petroleum.

Should oil or natural gas be found on the offshore Beaufort, it could have a significant bearing on the future of your Company.

Your Company is continuing to review and assess various projects to ensure a prolonged life.

The Board of Directors wishes to express its appreciation for the cooperation and loyalty of the Officers and Personnel of Kam-Kotia and its associated companies.

Submitted on behalf of the Board,

Toronto, Ontario,
April 2, 1976.

A. W. WHITE,
President.

KAM-KOTIA MINES LIMITED

(Incorporated under the laws of Ontario)

and its subsidiary companies

Consolidated Balance Sheet

ASSETS

	1975	1974
Current Assets		
Cash and short term deposits	\$2,169,000	\$2,195,000
Marketable securities, at cost (quoted market value \$53,425)	55,000	
Accounts receivable	161,000	183,000
Advances to Consolidated Churchill Copper Corporation Ltd. (note 2)	260,000	388,000
Concentrates on hand and in transit, net (note 1(c))	120,000	14,000
	<u>2,765,000</u>	<u>2,780,000</u>
 Investments		
Effectively controlled companies (note 3)	1,646,000	1,737,000
Other companies (note 4)	2,634,000	2,413,000
	<u>4,280,000</u>	<u>4,150,000</u>
 Fixed Assets		
Buildings, machinery and equipment	853,000	742,000
Less accumulated depreciation	639,000	577,000
	<u>214,000</u>	<u>165,000</u>
Mining claims and properties, at cost less depletion (note 5)	35,000	33,000
Land, at cost	13,000	13,000
	<u>262,000</u>	<u>211,000</u>
 Other Assets		
Supplies, at average cost	21,000	12,000
Sundry assets	49,000	47,000
	<u>70,000</u>	<u>59,000</u>
	<u>\$7,377,000</u>	<u>\$7,200,000</u>

at December 31, 1975

LIABILITIES

	<u>1975</u>	<u>1974</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 237,000	\$ 245,000
B.C. Mineral Land Tax payable — estimated	110,000	54,000
Payable to Burkam Mines Limited	<u>160,000</u>	
	<u>347,000</u>	<u>459,000</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 7)

Authorized — 5,000,000 shares without par value		
Issued — 4,290,000 shares	3,942,000	4,290,000
Deduct discount less premium	<u>348,000</u>	
	<u>3,942,000</u>	<u>3,942,000</u>
Retained Earnings	<u>3,088,000</u>	<u>2,799,000</u>
	<u>7,030,000</u>	<u>6,741,000</u>

Approved by the Board:

ARTHUR W. WHITE, Director.

JAMES GEDDES, Director.

\$7,377,000 \$7,200,000

KAM-KOTIA MINES LIMITED

and its subsidiary companies

Consolidated Statement of Income

Year ended December 31, 1975

	<u>1975</u>	<u>1974</u>
Mining		
Revenue		
Metal recovery, gross value	\$1,712,000	
Transportation and treatment costs	543,000	
	<u>1,169,000</u>	
Expenses		
Exploration and development	301,000	
Mining	182,000	
Milling	149,000	
Mine management, office and general property	162,000	
	<u>794,000</u>	
Operating income before undernoted items	375,000	
Depreciation	49,000	
B.C. Mineral Land Tax — estimated	84,000	
Royalty payable on mineral lease	43,000	
	<u>176,000</u>	
Income from mining operations	199,000	
Mine shutdown	\$ 57,000	
Head office, administration and general	124,000	
Depreciation	13,000	
Write-off of royalty mortgage (note 6)	10,000	
Share of loss from Kam-Kotia-Burkam Joint Venture	3,000	
	<u>147,000</u>	
Outside exploration expenditures written off	55,000	
	<u>202,000</u>	
	<u>(3,000)</u>	<u>(187,000)</u>
Investment and other income		
Dividends from Dickenson Mines Limited	187,000	
Other dividends, interest and royalties	116,000	
Equity in earnings (losses) of effectively controlled companies	(1,000)	
	<u>302,000</u>	<u>351,000</u>
Income before extraordinary items	299,000	164,000
Extraordinary items		
Profit on sale of Timmins Mine, fixed assets	115,000	
Provision for decline in value of investments in other companies	(50,000)	
Allowance for decline in value of shares of Davis-Keays Mining Co. Ltd.		
Allowance on advances to Consolidated Churchill Copper Corporation Ltd.	(1,900,000)	
Profit on sale of securities	(89,000)	
	<u>79,000</u>	
	<u>(10,000)</u>	<u>(1,835,000)</u>
Net income (loss)	<u>\$ 289,000</u>	<u>\$ (1,671,000)</u>
Income (loss) per share		
Income before extraordinary items	\$.070	\$.038
Net income (loss)	\$.067	(\$.390)

KAM-KOTIA MINES LIMITED

and its subsidiary companies

Consolidated Statement of Retained Earnings

Year ended December 31, 1975

	1975	1974
Balance at beginning of year	\$2,799,000	\$4,470,000
Net income (loss)	289,000	(1,671,000)
Balance at end of year	<u>\$3,088,000</u>	<u>\$2,799,000</u>

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1975

	1975	1974
Working Capital Derived From		
Operations (note 11)	\$ 427,000	\$ 215,000
Proceeds from sale of investments	143,000	115,000
Profit on sale of Timmins Mine, fixed assets	30,000	30,000
Payment on account of notes receivable from Jameland Mines Limited	90,000	90,000
Recovery of investment in Davis-Keays Mining Co. Ltd.	24,000	29,000
Marketable securities purchased prior to 1975 reclassified as a current asset		
Other sources	<u>714,000</u>	<u>389,000</u>
Working Capital Applied to		
Acquisition of interest in Kam-Kotia-Burkam Joint Venture	150,000	150,000
Less working capital acquired	56,000	56,000
Less previous investment in Kam-Kotia-Burkam Joint Venture	94,000	94,000
Allowance on advances to Consolidated Churchill Copper Corporation Ltd.		
Additions to fixed assets	89,000	135,000
Investment in Davis-Keays Mining Co. Ltd.	111,000	5,000
Increase in investment in other companies (net)	308,000	15,000
Exploration expenditures on outside properties	86,000	39,000
Mining claims	2,000	2,000
Other assets	21,000	50,000
Increase in working capital	<u>617,000</u>	<u>135,000</u>
Working capital at beginning of year	97,000	254,000
Working capital at end of year	<u>2,321,000</u>	<u>2,067,000</u>
Represented by		
Current assets	\$2,765,000	\$2,780,000
Current liabilities	347,000	459,000
	<u>\$2,418,000</u>	<u>\$2,321,000</u>

KAM-KOTIA MINES LIMITED

and its subsidiary companies

Notes to Consolidated Financial Statements

December 31, 1975

1. ACCOUNTING POLICIES

(a) Consolidation policy

These consolidated financial statements include the accounts of the company and all subsidiary companies including certain inactive subsidiaries. The more significant subsidiaries are:

Deebank Limited	100.0%
Cobalt Refinery Limited	100.0%
Carnegie Mining Corporation Limited	68.1%

(b) Accounting for effectively controlled companies

The company follows the practice of accounting for its investments in effectively controlled companies on the equity basis, whereby the companies' proportionate share of income and losses are reflected in earnings for the year.

(c) Concentrates on hand and in transit

Any shipment for which a final settlement has not been received is included as concentrates on hand and in transit at an average cost of production value. At December 31, 1975 there were 554,762 tons of concentrate for which final settlements had not been received. The estimated net realizable value of this concentrate is \$298,630 (1974 — \$367,926). Payments received in advance of final settlement in respect of sales of concentrates amounted to \$89,000 at December 31, 1975 (1974 — \$192,000).

(d) Outside exploration

Costs incurred in exploration of outside properties are charged to operations when the company relinquishes its interest in such properties.

(e) Fixed assets

Fixed assets are recorded at cost. Depreciation is recorded in the accounts on the straight line basis at the following annual rates:

Buildings	10%, 25%
Machinery and equipment	25%

2. ADVANCES TO CONSOLIDATED CHURCHILL COPPER CORPORATION LTD.

By agreement dated September 17, 1973, between Kam-Kotia Mines Limited and Brameda Resources Limited, the company undertook to advance to Consolidated Churchill Copper Corporation Ltd. sufficient funds (including working capital) to bring the Churchill properties back into production and maintain operations thereafter.

Due to the deterioration in the price of copper and the continuing increase in costs of production and marketing, operations at the mine ceased during 1975 and the fixed assets are presently being disposed of on a piecemeal basis. Net proceeds of any sales in the future of such assets are to be distributed first to Brameda to a total of \$50,000, and thereafter 60% to Brameda and 40% to Kam-Kotia.

The balance due from Consolidated Churchill has been reduced to \$260,000 at December 31, 1975 which the company officials feel is recoverable. This sum represents an amount that Consolidated Churchill, with the concurrence of Kam-Kotia, provided as an escrow deposit until June 13, 1976 to cover possible royalty liabilities in respect of the Consolidated Churchill operation. The Province of British Columbia has until June 13, 1976 to establish its claim to the royalty. The company's position is that the B.C. Mineral Royalty Act allows existing debts to have precedence over the B.C. Royalty liability.

Unless the Province of British Columbia establishes that the royalty has priority over existing debts, the \$260,000 plus interest thereon will be recovered by Kam-Kotia Mines Limited.

3. INVESTMENT IN EFFECTIVELY CONTROLLED COMPANIES

The investment in effectively controlled companies consists of the following:

	<u>1975</u>	<u>1974</u>
Davis-Keays Mining Co. Ltd.		
1,392,050 shares at cost, (quoted market value 1975 — \$515,000; 1974 — \$264,000)	\$3,883,000	\$3,883,000
Notes receivable	202,000	292,000
	<u>4,085,000</u>	<u>4,175,000</u>
Other		
At cost less amounts written off	61,000	525,000
Equity in earnings (losses)	(1,000)	2,000
	<u>60,000</u>	<u>527,000</u>
Less allowance for decline in value	<u>4,145,000</u>	<u>4,702,000</u>
	<u>2,499,000</u>	<u>2,965,000</u>
	<u>\$1,646,000</u>	<u>\$1,737,000</u>

Investments in effectively controlled companies totalling \$466,000 were written off against the allowance for decline in value established in prior years.

4. INVESTMENT IN OTHER COMPANIES

	<u>1975</u>	<u>1974</u>
Listed shares		
Dickenson Mines Limited		
560,509 shares (1974 — 534,409 shares) at cost (quoted market value 1975 — \$3,083,000; 1974 — \$3,273,000)	\$1,941,000	\$1,644,000
Other listed shares at cost (quoted market value 1975 — \$135,000; 1974 — \$218,000)	266,000	285,000
Jameland Mines Limited		
1,514,995 shares at cost	805,000	805,000
Notes receivable	330,000	360,000
Other shares, advances and participations at cost less amounts written off	<u>571,000</u>	<u>598,000</u>
Less allowance for decline in value	<u>3,913,000</u>	<u>3,692,000</u>
	<u>1,279,000</u>	<u>1,279,000</u>
	<u>\$2,634,000</u>	<u>\$2,413,000</u>

Included in the allowance for decline in value is an amount provided to reduce the investment in shares and notes receivable in Jameland Mines Limited to its estimated realizable value of Nil (1974, \$10,000).

5. MINING CLAIMS

Pursuant to the agreement dated June 29, 1973 with Cominco Limited which was confirmed by shareholders of Kam-Kotia Mines Limited, Robison Mines Limited was incorporated to hold the mining property referred to in the agreement. During the year certain of Kam-Kotia's mining claims were transferred to Robison and as consideration therefor Kam-Kotia received 60,000 shares of Robison.

6. ROYALTY MORTGAGE — SILMONAC PROPERTY

Under an agreement dated December 31, 1974, the company purchased from Burden Investors Services, Inc. for \$10,000 all of Burden's rights to receive a royalty of \$3.00 per ton of ore milled up to a maximum of \$500,000 as provided in the Mine Operating Agreement. The cost of the rights has been written off during the year.

7. CAPITAL STOCK

During the year the company was granted articles of amendment by which its authorized capital stock was changed from \$1 par value to no par value shares.

8. INCOME TAXES

Development expenditures of approximately \$1,300,000 are available to be claimed for tax purposes in future years. This amount consists principally of expenditures made on the Davis-Keays mining property for which shares of Davis-Keays were received and are included in investments.

9. OTHER INFORMATION

Direct remuneration of the company's directors and senior officers (including the five highest paid employees as required by The Business Corporations Act) amounted to \$124,000 in 1975 and \$83,000 in 1974.

10. ANTI-INFLATION ACT

The company is subject to the Anti-Inflation Act which provides, as from October 14, 1975, for the restraint of profit margin, prices, dividends and compensation. In the opinion of management, the provisions of this Act have no significant effect on the company's earnings for the year ended December 31, 1975. No dividends have been paid by the company since June 17, 1970.

11. WORKING CAPITAL DERIVED FROM OPERATIONS

	<u>1975</u>	<u>1974</u>
Income before extraordinary items	\$ 299,000	\$ 164,000
Items not requiring use of working capital		
Depreciation	62,000	13,000
Write-off of royalty mortgage	10,000	
Equity in losses (earnings) of effectively controlled companies	1,000	(2,000)
Outside exploration expenditures written off	55,000	37,000
Share of loss from Kam-Kotia-Burkam Joint Venture		3,000
Working capital derived from operations	<u>\$ 427,000</u>	<u>\$ 215,000</u>

AUDITORS' REPORT

To the Shareholders of
Kam-Kotia Mines Limited

We have examined the consolidated balance sheet of Kam-Kotia Mines Limited and its subsidiary companies as at December 31, 1975 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 26, 1976.

THORNE RIDDELL & CO.,
Chartered Accountants.

KAM-KOTIA MINES LIMITED

GENERAL MANAGER'S REPORT TO SHAREHOLDERS

TIMMINS AREA PROPERTY

The claims owned by your Company in Robb and Jamieson Townships were transferred to Robison Mines in 1975 under terms of a 1973 agreement with Cominco. The Company contributed \$24,000 to the cost of Robison's 1975 exploration programme which cost \$65,223 with Cominco providing the balance. At the end of 1975, Kam-Kotia and associated companies hold 300,000 shares of Robison and are entitled to a further 340,000 shares for a total of 640,000 shares. Cominco holds 450,000 shares and are entitled to a further 694,176 shares for a total of 1,144,176 shares.

The 1975 programme consisted of line cutting, mapping, and geophysical surveying of two blocks, with Cominco doing the work.

Results were inconclusive and Cominco's staff propose further work in 1976, consisting of two or more deep diamond drill holes to test potential targets. An estimate of the cost of the 1976 programme is not available at time of writing.

THE NEW DENVER DIVISION

Production from the Silmonac Mine was 12,045 tons grading 17.48 ounces of silver, 6.35% lead and 4.82% zinc. The Company recovered the balance of its original capital, and there was a small cash flow after providing for all taxes, and capital expenditures which amounted to about \$110,000 mainly for equipment.

Exploration and development expenses rose to \$300,054 from \$184,038 in 1974 and accounted for 34% of all expenses.

Average metal prices received for 1975 were \$4.47 per ounce for silver, 20.03 cents per pound for lead and 39.51 cents per pound for zinc.

At the end of the year, positive ore reserves available for mining above the adit level were limited. Diamond drilling of the lode below the adit level, at the east end of the mine, indicated an extensive ore shoot, with good strike and dip continuity. A decline is being driven to develop the upper part of this zone and diamond drilling is continuing. The potential of the lode to the west, along strike and down dip, requires extensive testing as well, which will require drifting and diamond drilling.

If sufficient tonnage below the adit level can be indicated, a major development programme will be required.

If sufficient funds from cash flow are not available, additional capital will be required to carry out the necessary development work and continue exploration.

DAVIS-KEAYS MINING CO. LTD. (N.P.L.)

No work was done on this property during the year. The number of claims held by the company was reduced to 333 claims at the

end of the year. The price of copper must rise substantially above current levels to make production feasible.

Discussions with Dowa in regard to revising the terms of the Dowa debenture were carried on intermittently during the year with no success. At the time of writing, there are indications that a solution is possible and new negotiations are in progress that could make future financing more attractive.

REFRACTORY METALS PROCESSING

A writ of foreclosure against Refractory Metals Processing was issued and served in July, 1974 so that the Company could recover the property. Legal proceedings instituted by other creditors of the company delayed a decision on the application but an order for foreclosure was finally issued by the Court in February, 1976 and the Company now has legal possession of the property and plant.

CONSOLIDATED CHURCHILL COPPER CORP.

Operations at Churchill were terminated in late March, 1975 and management of Churchill was turned over to Brameda on May 1, 1975.

Production for 1975 amounted to 48,936 tons mined and milled at a grade of 3.51% copper which produced 5,480 tons of concentrate at a grade of 30.49% copper. This was shipped as part of Lot No. 6, in June,

1975, and settlement price for 1975 production was 55.8 cents per pound.

The operation was terminated as developed reserves were depleted, and metal prices and production costs made it uneconomic to develop remaining ore reserves in place.

The Company has a 40% interest in Churchill's plant and equipment. To the end of the year, the Company received \$153,405 as its share of equipment sales. The mill remains intact and should be sold in 1976. The sum of \$260,000 is in escrow, pending the result of a dispute with the British Columbia government over royalty payments. In the event this matter is settled in favour of Churchill, Kam-Kotia will have recovered nearly all of its advances and its share of the sale of the mill should result in a small cash gain to the company.

GENERAL EXPLORATION

Several mineral prospects, at various stages of development, were considered and investigated with a view to possible financial participation, but were rejected as not suitable.

G. W. WALKEY,
Vice-President and
General Manager.

INVESTMENT SCHEDULE

THESE COMPANIES held shares in THESE COMPANIES ↓ at December 31, 1975	KAM-KOTIA (including Deebank)	Percentage of Outstanding shares	DICKENSON	Percentage of Outstanding shares
Abino Gold Mines Limited	612,091	13.1	1,765,199	37.7
Amalgamated Rare Earth	579,434	12.0		
Canadian Arrow	704,417	19.8		
Carnegie Mining	1,615,018*	68.1		
Cincinnati-Porcupine	2,625,779	41.9		
Consolidated Brewis			454,882	26.4
Craigbe-Fletcher			983,300	27.3
Davis-Keays Mining	1,392,050	38.0		
Deebank Limited	10,003*	100.0		
Dickenson Mines	560,509	15.8		
Duchesne Red Lake			875,500*	64.9
Gateway Uranium	330,000	22.4		
Glencair Mining	1,141,322*	57.1		
Inore Gold Mines	604,000	34.5		
Jameland Mines	1,514,995	30.3	2,025,000	40.5
Kamisfair Mines	640,000*	85.3		
Kam-Kotia Mines			2,097,608	48.9
Kenwest Mines			1,800,008*	60.0
Laddie Gold Mines	75,000	3.6	885,000	42.3
Langis Silver & Cobalt	67,500	1.7	369,450	9.7
Lithia Mines & Chemicals	680,710*	64.5		
Lone Bachelor	1,180,000*	89.8		
Mareast Explorations	438,000	23.5		
New Cinch Uranium	35,000	1.7	430,000	20.4
New Kelore Mines	417,717	7.5		
Nickel Rim Mines	174,000	2.9	274,000	4.6
Parvus Mines			856,125	46.3
Pidgeon Molybdenum			391,000	23.5
Pleno Mines	948,549	39.2		
Redcon Gold Mines			625,221	18.4
Robin Red Lake			2,322,588*	77.4
Rowan Gold Mines			13,630	3.0
Silmonac Mines	657,031	22.2		
Tundra Gold Mines	15,000	.4	1,188,588	28.0
United Macfie Mines	1,220,760	40.4		

*Subsidiary companies.

